

Message Text

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USIA-15 FEA-02 INT-08 SWF-02 ABF-01 FS-01 DRC-01 /198 W

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FM AMEMBASSY PHNOM PENH

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INFO CINCPAC

S E C R E T SECTION 1 OF 2 PHNOM PENH 12755

E.O.11652: GDS

TAGS: PINT EAID EFIN MORG MPOL CB

SUBJECT: MODIFICATIONS IN GKR ECONOMIC REFORM PACKAGE:

EFFECTS UPON FANK

REF: PHNOM PENH 12436

1. SUMMARY. INEQUITIES IN THE DISPARITY OF PAY RAISES BETWEEN CIVILIAN GOVERNMENT EMPLOYEES AND THAT PART OF FANK WHICH IS NOT PART OF THE INTERVENTION UNITS HAVE GIVEN RISE TO DISCONTENT AND POSSIBLE POLITICAL PROBLEMS. AS A RESULT A COMPROMISE HAS BEEN REACHED WHICH WOULD RAISE THE NONINTERVENTION PAY INCREASE TO A PAR WITH THAT OF THE CIVILIANS IN RETURN FOR A REDUCTION IN MAP-SUPPORTED STRENGTH OF 30,000 (TO THE LEVEL OF 223,000), THE REDUCTION REPRESENTING A PURGE OF AN ARBITRARILY DETERMINED NUMBER OF "PHANTOM TROOPS". END SUMMARY.

2. AS ILLUSTRATED IN PARA 8(B) OF REFTEL, ONE OF THE OBJECTIVES OF THE ECONOMIC REFORM PACKAGE ADOPTED SEPTEMBER 15 WAS TO INCREASE THE DIFFERENTIAL IN PAY BETWEEN MILITARY PERSONNEL IN THE INTERVENTION FORCES AND THOSE IN NONINTERVENTION FORCES (TERRITORIAL UNITS,

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MANY STAFF POSITIONS) WITH A VIEW TO ADDING GREATER INCENTIVE TO FILL UP THE UNDERSTRENGTH INTERVENTION UNITS.

THE INCREASES AFFORDED THE INTERVENTION UNITS WERE WELL RECEIVED BY THOSE AFFECTED AND BY SENIOR FANK COMMANDERS.

3. HOWEVER, IT BECAME CLEAR TO THE MILITARY SOON AFTER THE SEPT. 15 ANNOUNCEMENT THAT THE OVERALL EFFECT OF THE REFORM PACKAGE WAS UNEQUAL AS BETWEEN NONINTERVENTION FORCE MILITARY AND CIVILIAN GOVERNMENT EMPLOYEES. THIS IN TURN WAS BEGINNING TO CAUSE POLITICAL PROBLEMS FOR THE GOVERNMENT, WITH SCATTERED INSTANCES OF INDISCIPLINE AND LOOTING BY DISGRUNTLED FORCES IN SEVERAL AREAS OF THE COUNTRY. THAT THESE POLITICAL EFFECTS TOOK NEARLY A WEEK TO CAUSE CONCERN AT HIGHER GKR LEVELS WAS PROBABLY DUE TO A THREE-DAY RELIGIOUS HOLIDAY EARLY IN THE WEEK AND TO THE NEED FOR TIME FOR UNDERSTANDING OF THE EFFECT OF THE RATHER COMPLEX REFORM PACKAGE TO TRICKLE DOWN TO THE INDIVIDUALS AFFECTED.

4. BY THE MORNING OF SEPTEMBER 21, THE CABINET AND SENIOR FANK MILITARY HAD BECOME SERIOUSLY DISTURBED OVER THE DISPARITY OF BENEFITS BETWEEN THE NONINTERVENTION FORCES AND VIILIAN GOVERNMENT EMPLOYEES. THAT MORNING A MEETING WAS HELD BETWEEN SENIOR FANK PERSONNEL AND REPRESENTATIVES OF USAID AND MEDTC. THE FOLLOWING OFFER WAS MADE ON THE AMERICAN SIDE: IF FANK WOULD AGREE TO REDUCE ITS ROLLS BY 15,000 PHANTOMS ON OCTOBER 1 AND A SECOND TRANCHE OF 15,000 ON NOVEMBER 1, THEN THE U.S. WOULD AGREE THAT THE RICE ALLOWANCE (PRIME D'ALIMENTATION) FOR NONINTERVENTION FORCES BE RAISED FROM THE PRESENT 45 FIELS PER DAY TO 90 ON OCTOBER 1 AND THEN TO 135 ON NOVEMBER 1. THIS OFFER WAS REJECTED BY THE KHMER SIDE. THE COUNCIL OF MINISTERS MET MOST OF THAT NIGHT, TOGETHER WITH PRESIDING OFFICERS OF BOTH LEGISLATIVE HOUSES, AND BY THE MORNING OF SEPTEMBER 22 THE PROBLEM HAD BEEN PRESENTED TO MARSHAL LON NOL , WHO SENT ACTING FOREIGN MINISTER HOU HONG TO SEE THE AMBASSADOR TO SEEK SUGGESTIONS AS TO WHAT COULD BE DONE.

5. AT AMBASSADOR DEAN'S SUGGESTION, A MEETING WAS HELD THE AFTERNOON OF SEPTEMBER 23 BETWEEN THE AMBASSADOR P

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WITH ADVISORS FROM USAID AND MEDTC, AND A NUMBER OF LEADING FANK AND GKR REPRESENTATIVES. PRESENT WERE FANK C-IN-C LTG SOSTHENE FERNANDEZ, THMINISTER OF NATIONAL DEFENSE, MINISTER HOU HONG, THE ACTING MINISTER OF FINANCE, PLANNING AND ECONOMY, THE MINISTER OF INTERIOR AND OTHER RANKING FANK STAFF OFFICERS.

6. AFTER LISTENING TO A PRESENTATION OF THE PROBLEM, AMBASSADOR DEAN REMARKED THAT THERE WAS CONSIDERABLE JUSTICE IN THE CLAIM OF THE NONINTERVENTION FORCES FOR

TREATMENT MORE EQUAL TO THAT OF THE CIVILIAN EMPLOYEES, BUT THAT THE PROBLEM WAS WHERE TO FIND THE FUNDS TO INCREASE THESE MILITARY PAY LEVELS WITHOUT SERIOUS DEFICIT SPENDING THAT WOULD SIMPLY AGGRAVATE THE INFLATION WHICH THE CONOMIC REFORM PACKAGE WAS INTENDED TO COMBAT. PERHAPS THE ONLY POSSIBLE SOLUTION WOULD BE TO PURGE FANK ROLLS OF "PHANTOM" TROOPS, IN AN NUMBER SUFFICIENT TO BALANCE PAY INCREASES.

7. AFTER A TWO-HOUR DISCUSSION, AGREEMENT WAS REACHED ON THE FOLLOWING FIVE POINTS:

A. THE MAP-SUPPORTED OVERALL FANK FORCE LEVEL WILL BE DECREASED FROM 253,000 TO 223,000, EFFECTIVE OCTOBER 1, A REDUCTION OF 30,000 WHICH WOULD BE CONSIDERED FOR THE MOMENT SOMEWHAT ARBITRARILY TO REPRESENT THE PHANTOMS.

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B. THE EMBASSY AGREES TO STUDY IN DETAIL THOSE UNITS CITED BY FANK FOR WHICH THIS ORDER WILL POSE PARTICULAR DIFFICULTY. CONVERSELY, FURTHER STUDY, THROUGH PERSONNEL AUDITS, WILL BE GIVEN TO WHETHER OR NOT THE 30,000 FIGURE OF REDUCTION IS TOO LOW-TO WHETHER MORE PHANTOMS THAN THAT OUGHT TO BE PURGED FROM THE ROLLS.

C. EFFECTIVE IMMEDIATELY AND UNTIL FURTHER

NOTICE THERE WILL BE A HALT TO ALL RECRUITING FOR NON-INTERVENTION FORCES.

D. RECRUITING FOR THE INTERVENTION UNITS WILL CONTINUE WITH RENEWED VIGOR.

E. EFFECTIVE OCTOBER 1, THERE WILL BE AN INCREASE OF 4,500 RIELS PER MONTH, RETROACTIVE TO SEPTEMBER 1, IN THE OVERALL TAKE-HOME PAY OF THE NON-INTERVENTION FORCES, CALCULATED AS FOLLOWS: THE ALLOWANCE FOR FOOD (ALIMENTATION) WILL BE INCREASED FROM THE PRESENT 45 RIELS PER DAY TO 135, A NET MONTHLY INCREASE OF 2,700 RIELS; THERE WILL BE AN ADDITIONAL RAISE OF 1,800 RIELS PER MONTH IN THE COST-OF-LIVING ALLOWANCE.

8. COMMENT: THE ECONOMIC REFORM PACKAGE WAS A MUCH-NEEDED CORRECTION DESIGNED TO CONTRIBUTE TO COMBODIAN ECONOMIC STABILITY AND WAS LONG OVERDUE.

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NEVERTHELESS, ONE MUST RECOGNIZE THAT THERE IS AN UNDERLYING AURA OF POLITICAL MALAISE IN THE COUNTRY, AND THAT ONE IS DEALING WITH A GOVERNMENT WHICH DOES NOT POSSESS THE STRENGTH AND CAPABILITY TO ENFORCE ALL OF ITS EDICTS, NO MATTER HOW JUSTIFIED AND NECESSARY, BUT ONE THAT MUST OFTEN NEGOTIATE TO OBTAIN CONCURRENCE OF THE DIFFERENT SECTORS, MILITARY COMMANDERS, GEOGRAPHIC AREAS AND OTHER FORCES IN THE BODY POLITIC. IT WAS NATURAL THEN TO EXPECT CERTAIN INEQUITIES TO RESULT FROM THE ECONOMIC REFORM PACKAGE WHICH WOULD REQUIRE SOME SUCH FORM OF NEGOTIATED ADJUSTMENT. THE EMBASSY WAS QUITE AWARE, WHILE THE REFORM PACKAGE WAS BEING NEGOTIATED WITH THE GKR, THAT THE NONINTERVENTION FORCES WOULD SUFFER A NET DECREASE IN WELFARE, AS THE INCREASE IN THEIR TAKE-HOME PAY WOULD NOT COVER THE RICE PRICE INCREASE. THIS WAS DESIGNED DELIBERATELY TO CREATE A DISPARITY IN COMPENSATION THAT WOULD ENCOURAGE MOVEMENT OF PERSONNEL INTO THE INTERVENTION UNITS. WE ALSO VIEWED IT AS A MEANS OF GETTING A HANDLE ON THE PHANTOM PROBLEM BY CREATING A BARGAINING SITUATION BY MEANS OF WHICH WE COULD TRADE OFF A PAY ADJUSTMENT FOR THE PURGING OF A SUBSTANTIAL NUMBER OF PHANTOMS.

9. THE MEETING DESCRIBED ABOVE WAS HELD IN THIS CONTEXT, IN ORDER TO DEFUSE AND FORESTALL PROBLEMS AMONG THE MILITARY RESULTING FROM THE REFORM PACKAGE. THE EFFECT WAS TO REDUCE THE TROUBLESOME PHANTOM PROBLEM WHILE GRANTING NONINTERVENTION SOLDIERS ROUGH PARITY WITH THEIR CIVILIAN COUNTERPARTS. THE NET ANNUAL COST OF THE INCREASE TO THE GKR BUDGET IS 2.2 BILLION RIELS, WHICH CAN BE COVERED BY PRESENTLY AUTHORIZED DEFICIT SPENDING. SENIOR FANK COMMANDERS WILL HAVE DIFFICULTY IN DECIDING

HOW TO ALLOT AMONG REGIONS AND UNITS THE ARBITRARY
30,000 CUT IN PAID EFFECTIVE STRENGTHS. HOWEVER, TIME
AND WARTIME CIRCUMSTANCES WILL NOT PERMIT A MORE ORDERLY
CENSUS, UNIT BY UNIT, WITHOUT THE STRONG POSSIBILITY
OF SERIOUS DIFFICULTIES WITH THE NONINTERVENTION FORCES
IN THE MEANTIME. THE SENIOR COMMANDERS SENSIBLY, IF
NOT ENTIRELY HAPPILY, RECOGNIZED THE REALITIES OF THE
SITUATION.

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